

Immigrants and welfare receipt

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Let's begin with some quotes...

- “there is a large number of migrants living on welfare and they have been in this condition for a very, very long time” (leader of the Norwegian Progress Party)
- “there are simply too many immigrants living on welfare” (leader of the French National Front)

These quotes provide the context for the presentation

- What does the empirical evidence say about immigrants and welfare?
- There are essentially two questions:
 - Are immigrants, especially low-skilled immigrants, attracted to welfare-generous states (the welfare magnate hypothesis)?
 - Are immigrants more likely to be in receipt of welfare payments compared to natives?
- It turns out that the evidence is much weaker than the quotes suggest

Searching for evidence of the welfare magnet – the US (1)

- Some interesting lessons can be learned from research on internal migration in the US
- First point, the welfare magnet is a tricky issue to study because of the possibility of reverse causation
- Migrants could move to a state with generous welfare benefits but that state might react by cutting back on generosity (or the opposite could happen if the migrants have votes)

Searching for evidence of the welfare magnet – the US (2)

- One research strategy is to look at people who move between two periods and to see if they moved to states that became more generous
- Enchautegui (JOLE 1999) did this and the nature of the findings is important
- Evidence of a welfare magnet was found but:
 - The size of the effect was small
 - The effect differs by group of migrants

Searching for evidence of the welfare magnet – the US (3)

- The different impact across different groups was then exploited in later research
- Gelbach (2006, JPE) looked at women with younger children and found an effect
- McKinnish (2007, JPubE) looked at women living close to state borders (an effect was found but it was not statistically significant)
- The important point from this research – a welfare magnet might be found in the data but it tends to be small, weak and specific to certain groups
- Hence, not a big concern for public budgets

Searching for evidence of the welfare magnet – Europe (1)

- Brücker et al (2002) looked for evidence of a welfare magnet in Europe
- Two stages:
 - Look across countries to see if immigrants are more likely to be receiving benefits compared to natives;
 - Look to see if any differences are related to the generosity of the welfare systems
- They find evidence but only “on the margins of significance”

Searching for evidence of the welfare magnet – Europe (2)

- Boeri (2010, *Economica*) updated this work
- He finds evidence for a welfare magnet but some strange results are also found which cast doubt on the central result – for example, higher unemployment benefits are shown to be related to higher skilled inflows
- De Giorgi and Pellizzari (2009, *LabEcon*) also find evidence of a welfare magnet
- However, the effect of wages on location choice is TEN times higher than the effect of welfare generosity

Searching for evidence of the welfare magnet – Europe (3)

- Zimmermann et al (2011, Report to the EC)
- A reminder of why this is a tricky area for researchers
- How might the inflow of immigrants affect spending on welfare?
 - The inflow of immigrant may lead to extra spending, if immigrants are more likely to need support
 - Welfare policy may change in reaction to an immigrant inflow
- A researcher in this situation needs to find a variable that is related to welfare spending but not to the immigrant inflow
- Zimmermann et al (2011) used the number of parties in coalition governments
- When they use the sophisticated statistical technique, they find no evidence of the welfare magnet

Summarising on the welfare magnet

- There is no body of research which conclusively finds that welfare magnets exist
- Often the findings are statistically insignificant or economically small
- Welfare magnets can probably be found if the sub-group of immigrants is defined quite narrowly
- But in this situation, the impact in terms of public spending is likely to be small

Turning to the second question

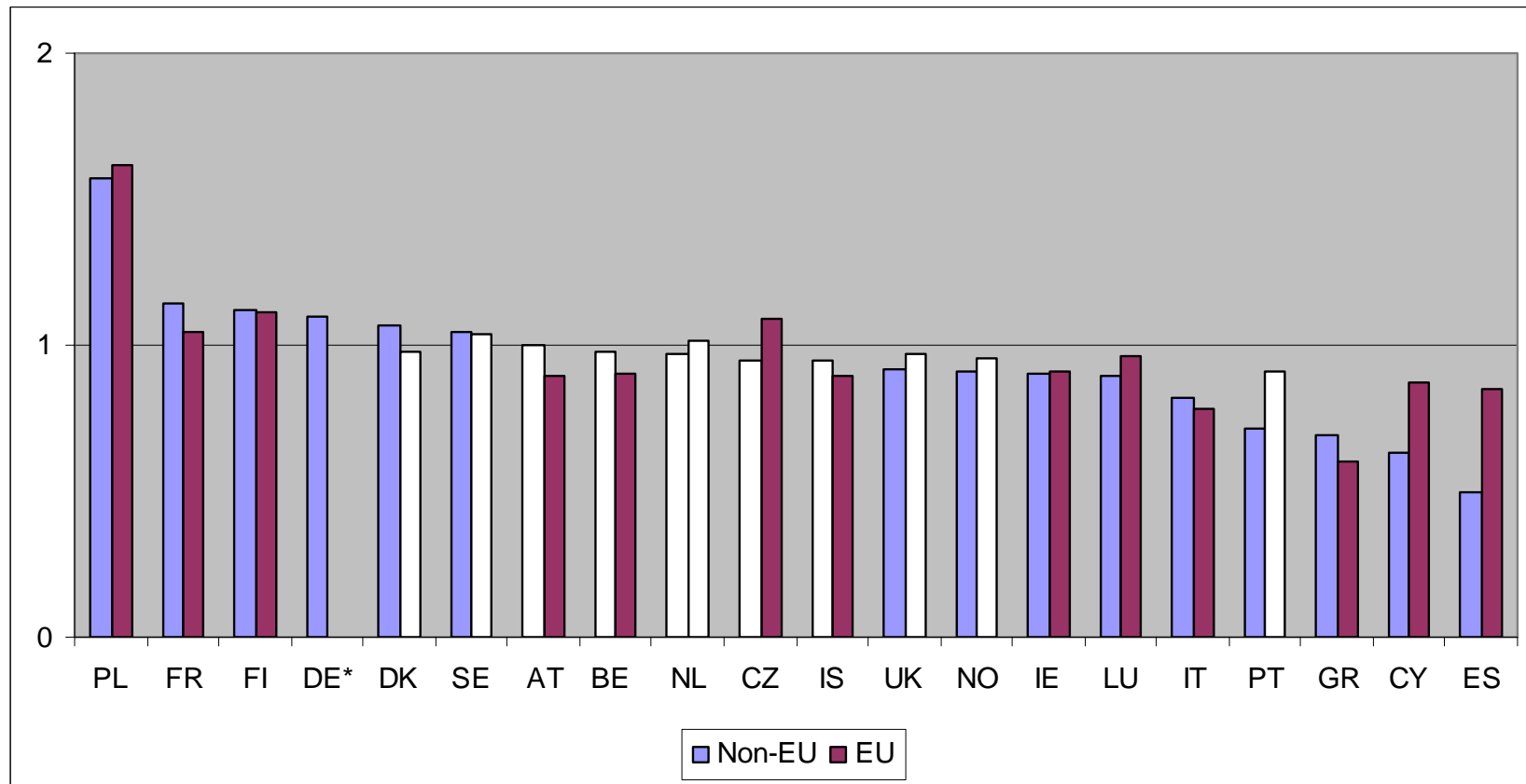
- Are immigrants more likely to be in receipt of welfare payments, compared to natives?
- Two ways of looking at this:
 - Compare the % of all immigrants receiving payments and the % of all natives (unadjusted)
 - Compare immigrants and natives with the same socio-economic characteristics (adjusted)

Why might immigrants use welfare to a greater or lesser extent than natives?

- From Brücker et al (2002)
 1. Self-selection
 2. Migration-specific effects – e.g. Language
 3. Discrimination
 4. Network effects
 5. Non-portability of entitlement
 6. Reduced wages

- But what do the data tell us?
- Results reported here are in Zimmermann et al (2011) and also in Barrett and Maitre (2013)
- Based on EU-SILC data from 2007
- Firstly, the unadjusted view – looking at all immigrants compared to all natives
- In the figure, a ratio above 1 says that the % of immigrants on welfare is greater than the % of natives on welfare

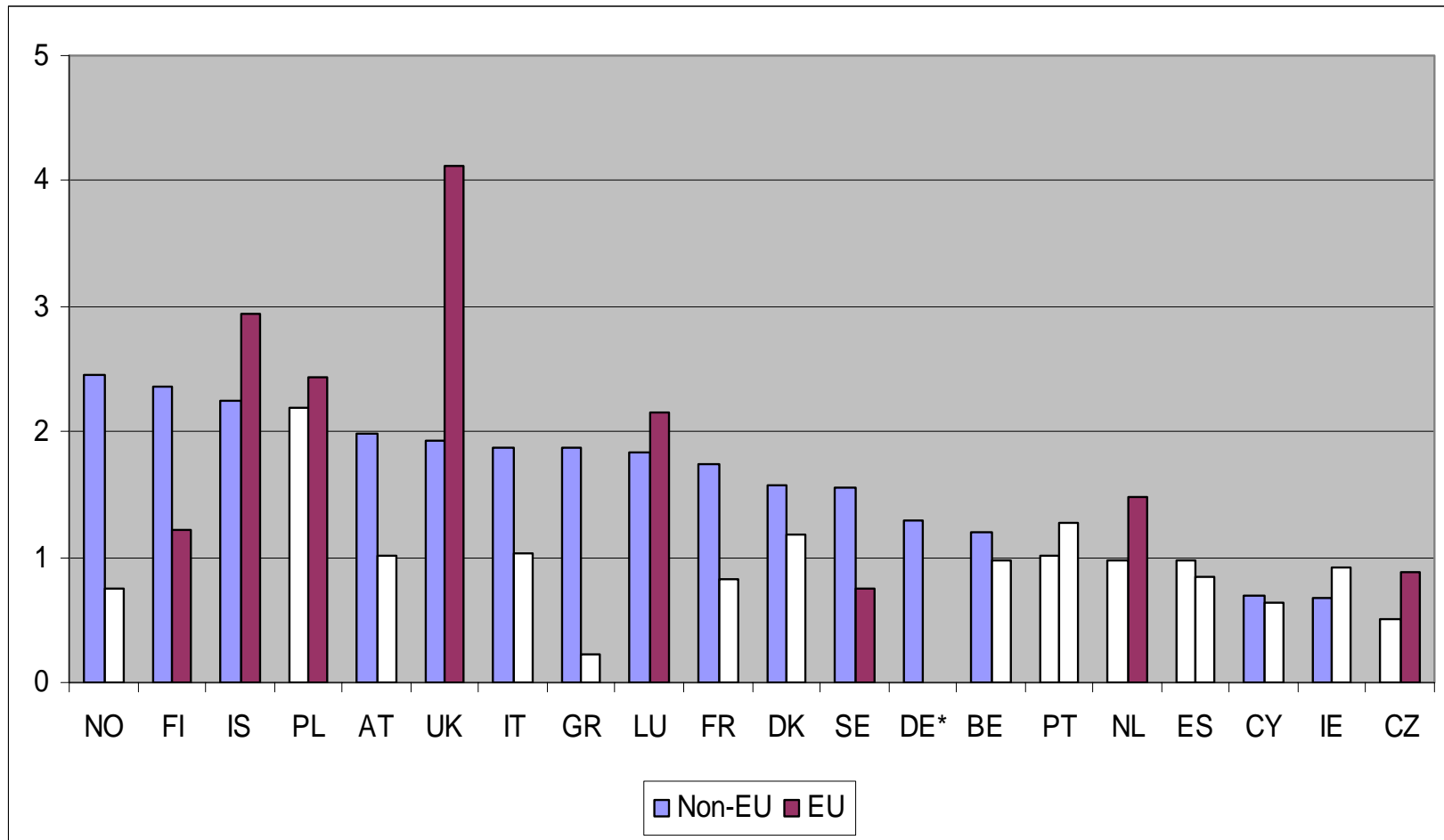
Ratio of proportions of immigrants and natives: All types of support



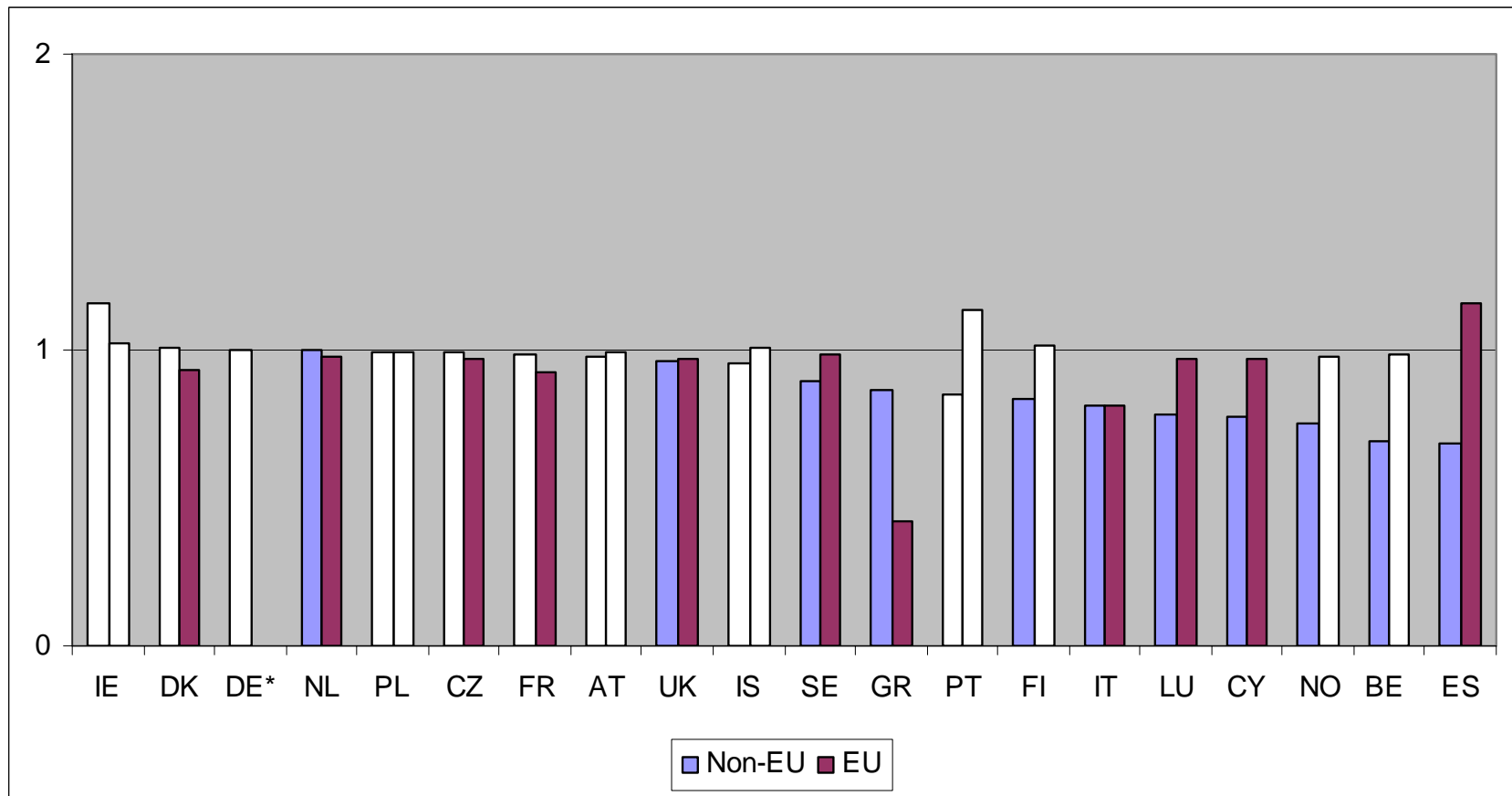
A white box means that the difference is not statistically significant

Main point: not too many boxes greater than 1

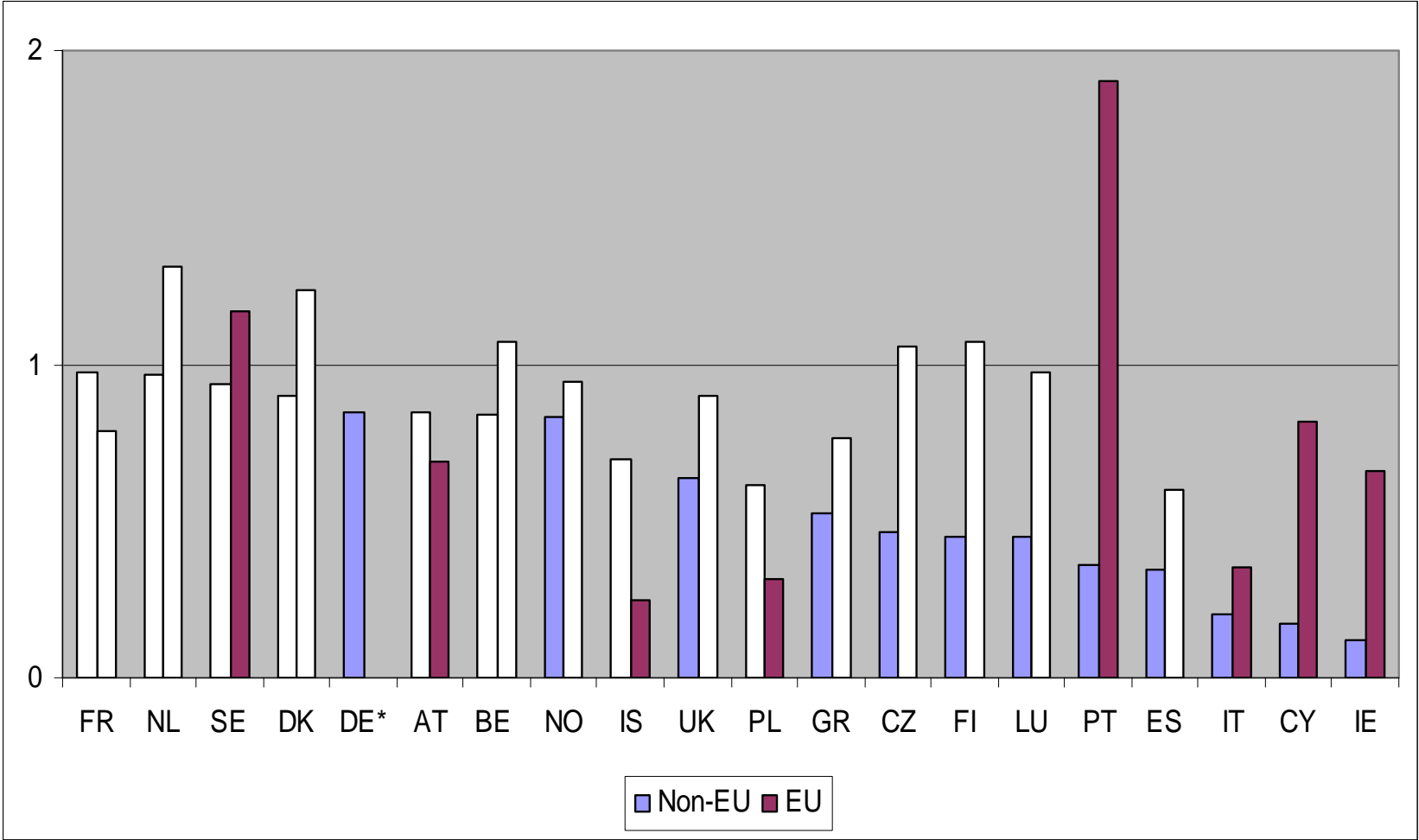
Ratio of proportions of immigrants and natives: Unemployment supports



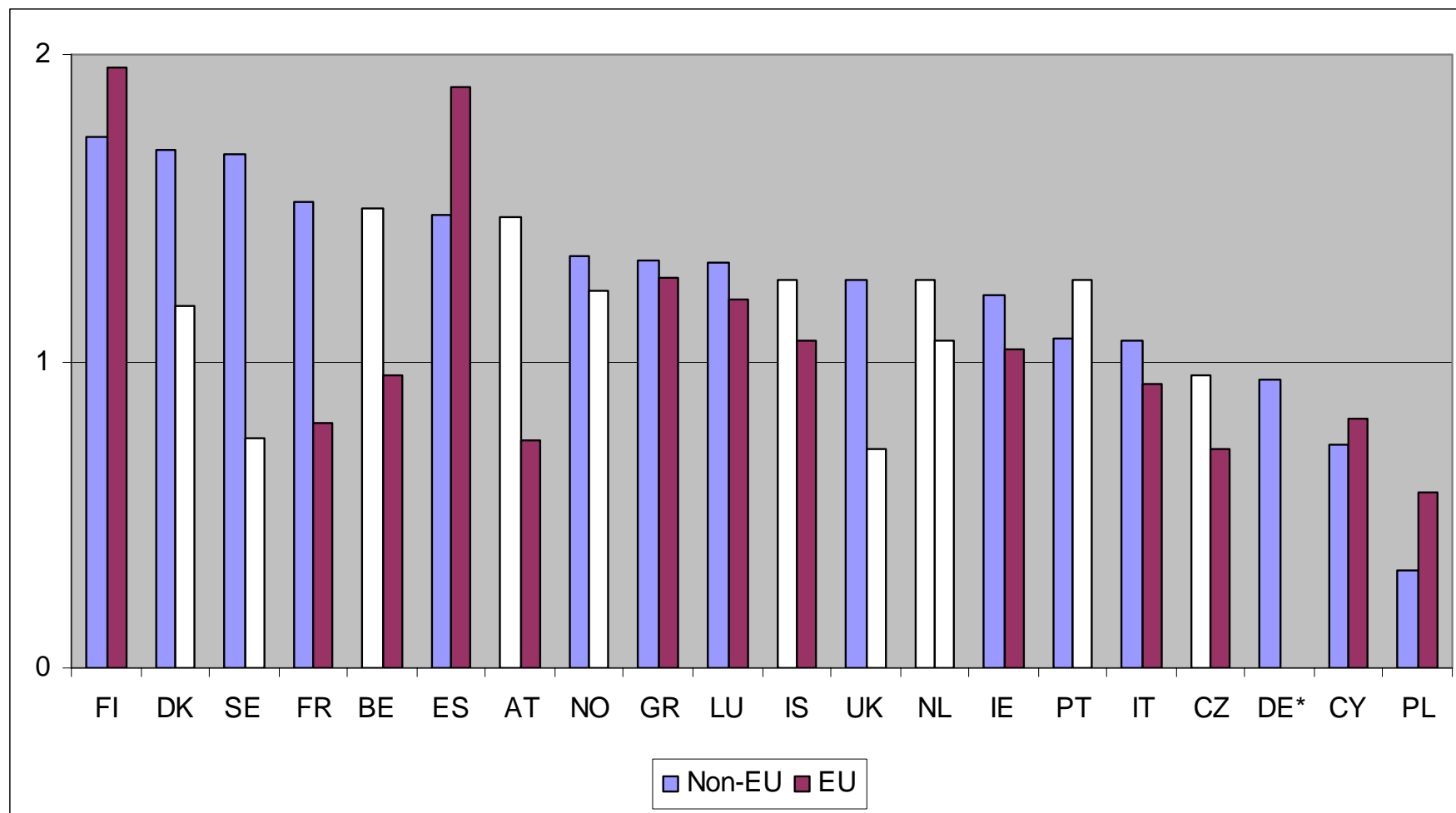
Ratio of proportions of immigrants and natives: Old-age support



Ratio of proportions of immigrants and natives: Sickness/disability support

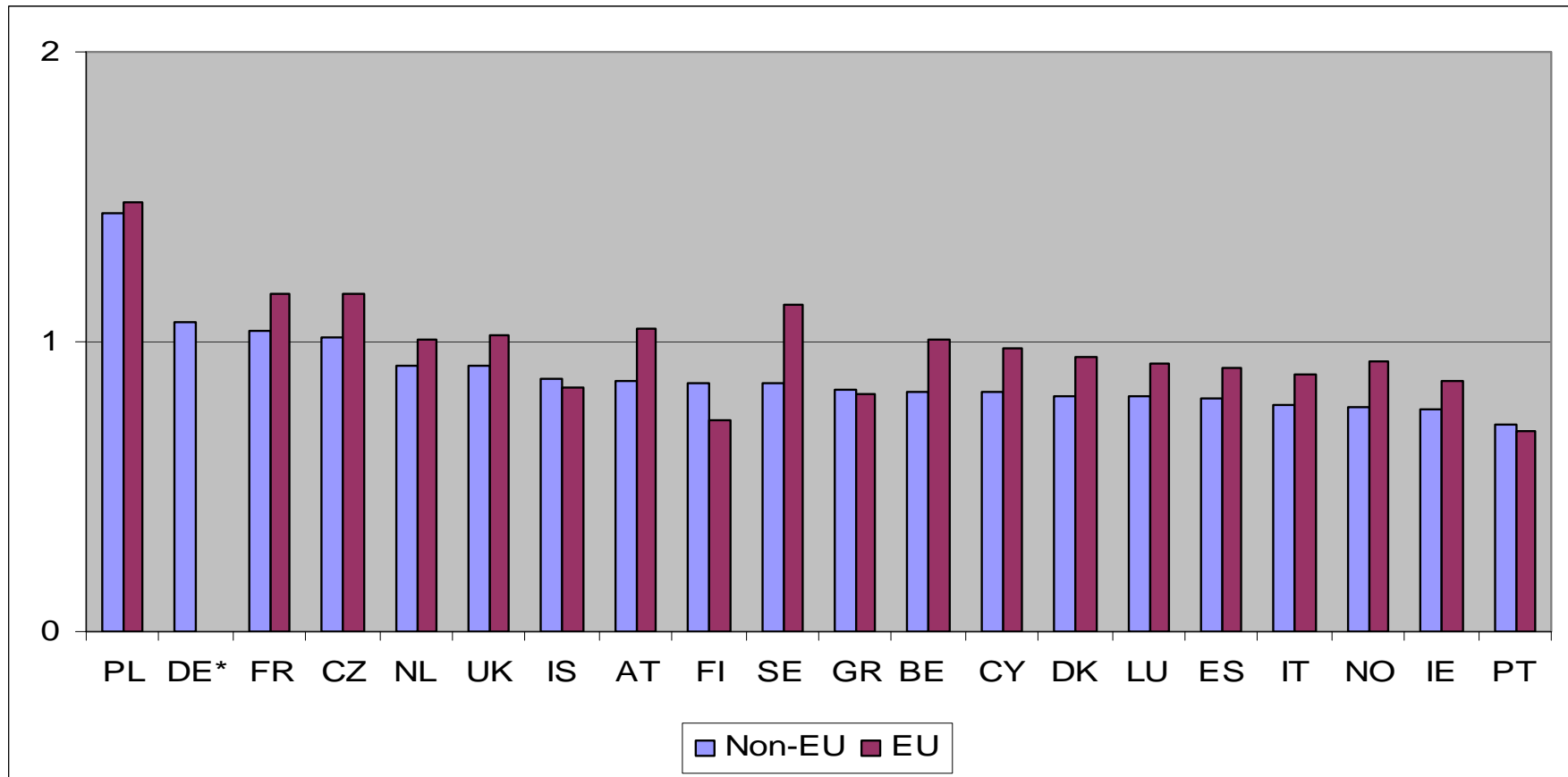


Ratio of proportions of immigrants and natives: Family/child support



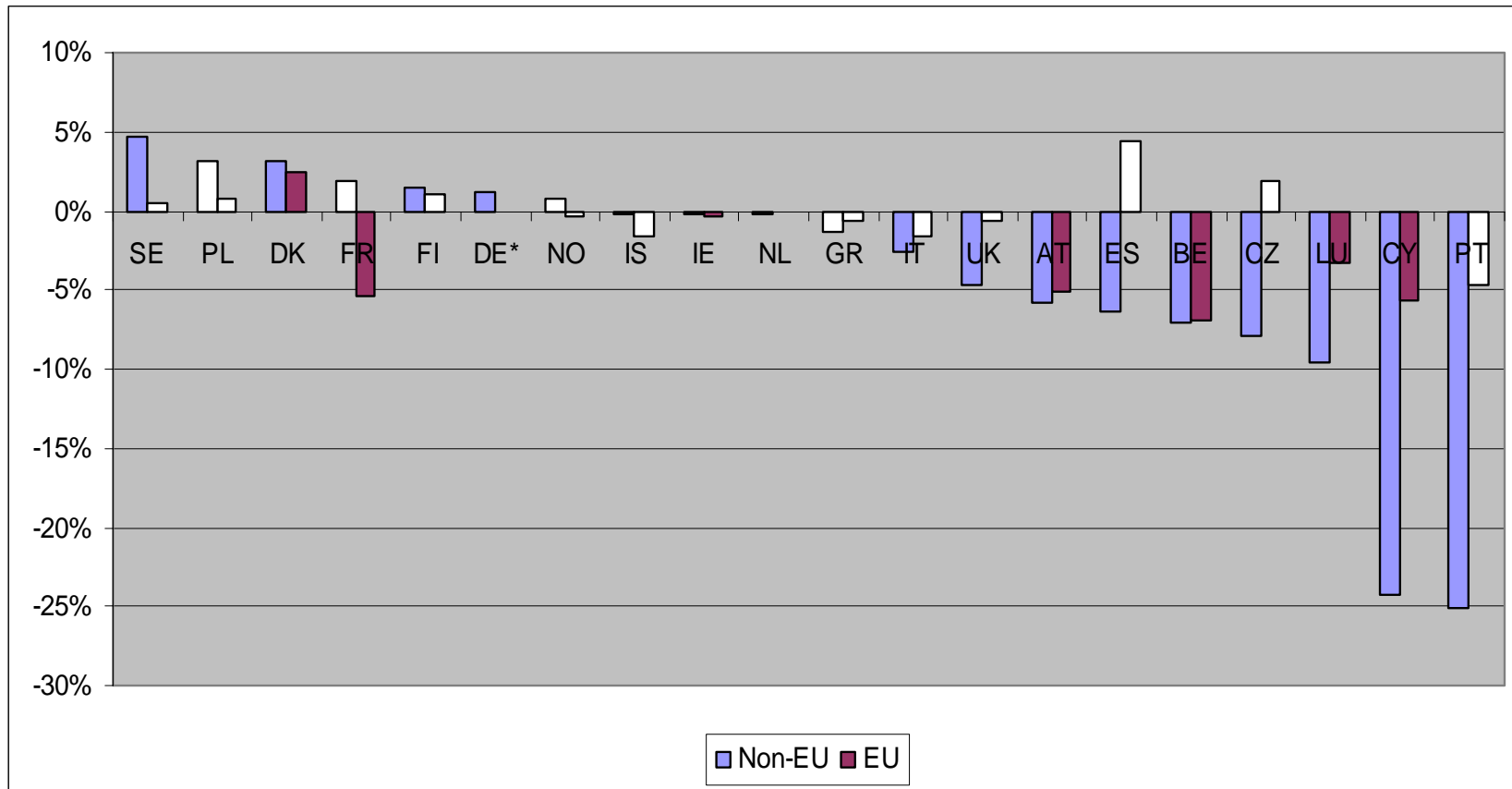
- Now the adjusted view
- We run a regression where the dependent variable is whether or not a person receives welfare
- The explanatory variables are age, education, gender, number of children and whether the individual is an immigrant
- The estimated coefficient on the immigrant dummy variable is then an estimate of the likelihood of an immigrant receiving welfare compared to a native, controlling for these other factors

Ratios of average ages of immigrants and natives



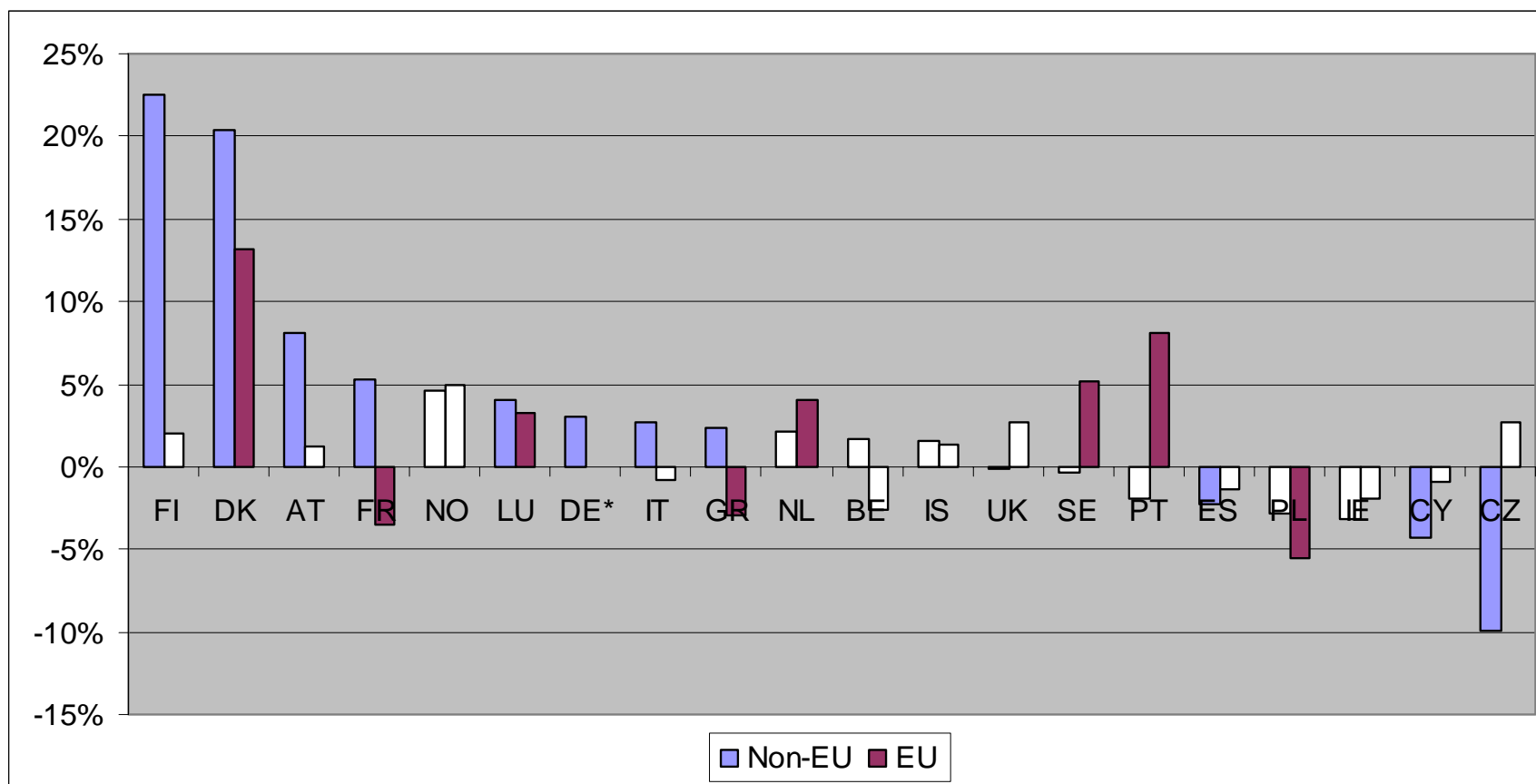
We begin with this figure which shows that immigrants are generally younger than natives – hence the importance of taking this into account

Estimated marginal impact of immigrant status: All supports

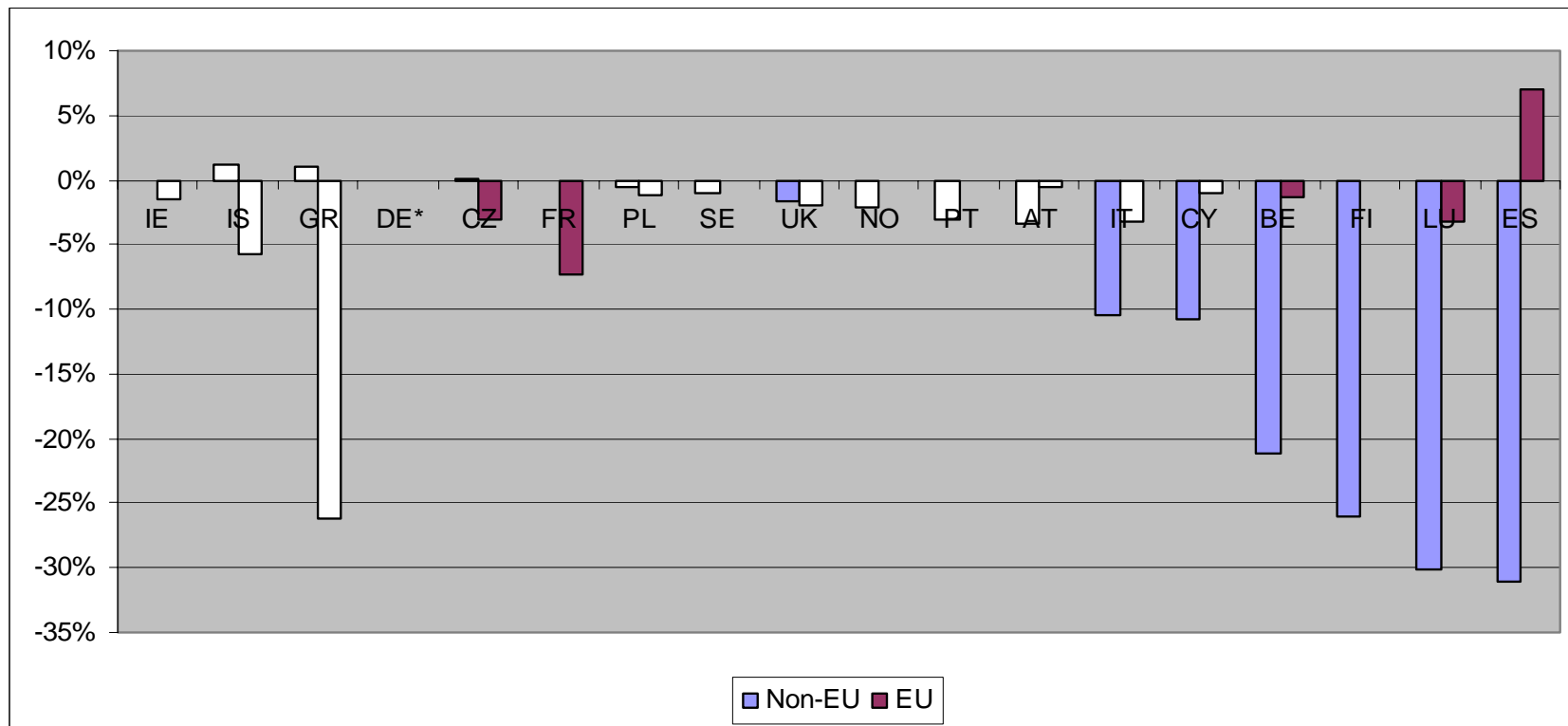


Most of the statistically significant estimates (boxes that are not white) are negative - this suggests that immigrants are LESS likely to be receiving welfare payments

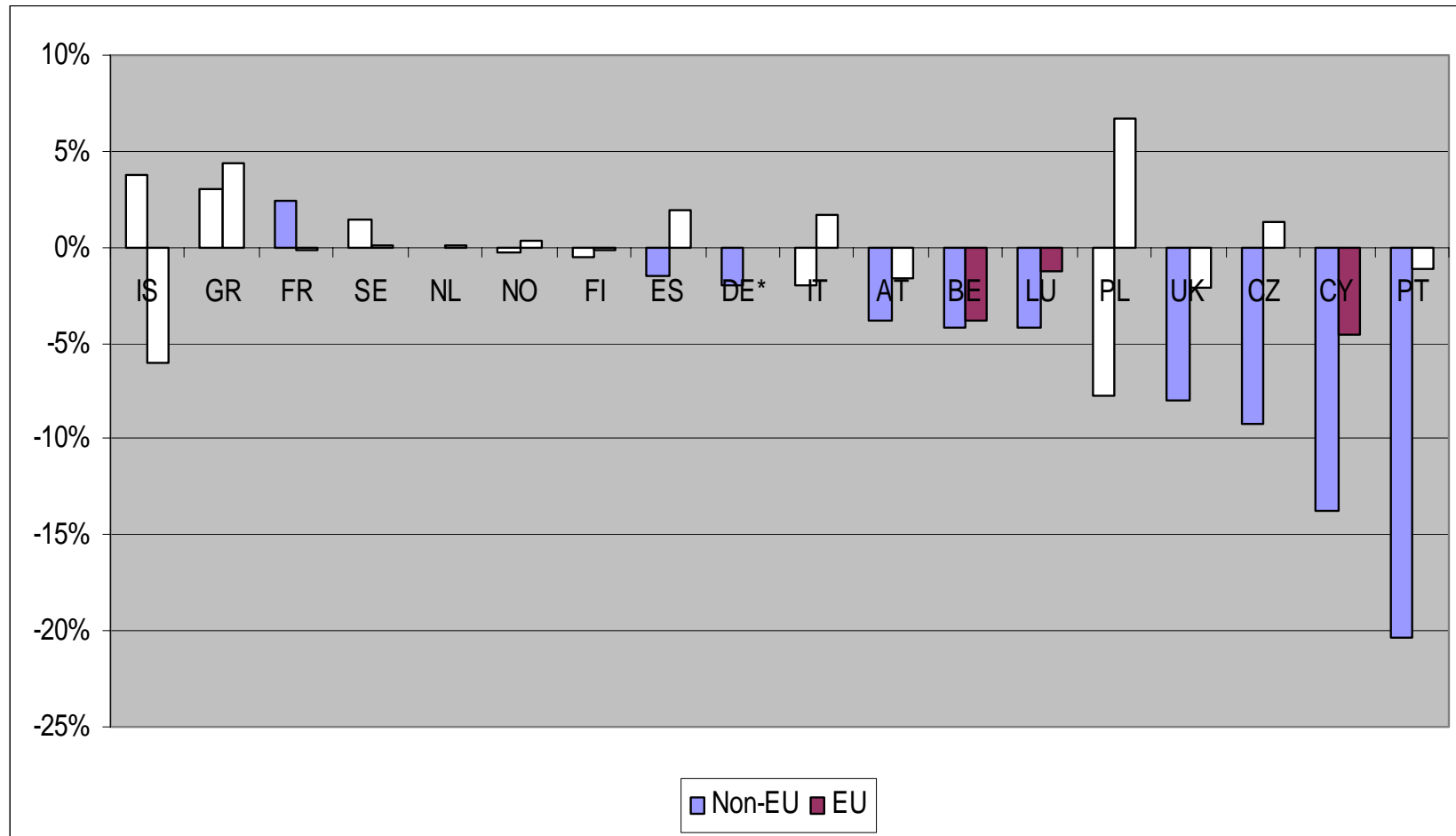
Estimated marginal impact of immigrant status: unemployment, sickness and disability



Estimated marginal impact of immigrant status: Old age



Estimated marginal impact of immigrant status on: family/child support



Summarising

- There is evidence that immigrants are more intensive users of unemployment benefits
- Even for UB, the pattern is much weaker when we control for other socio-economic characteristics
- Across all social support payments, any pattern of “excess use” is weak, especially when looking at adjusted figures

A more specific issue – assimilation out of, or into, welfare? (1)

- Two case studies: Sweden and Germany
- Hansen and Lofstrom (2003, JHR) on Sweden
- They find a higher rate of welfare use by immigrants, even when adjusted
- They also find that immigrants assimilate out of welfare
- However, the rate of convergence between natives and immigrants is slow – still a gap after 20 years

A more specific issue – assimilation out of, or into, welfare? (2)

- Riphahn (2004, App Ec Quar) on Germany
- The unadjusted data show immigrants being more intensive users of welfare
- However, the adjusted figures shows no difference between immigrants and natives
- Also, no evidence of assimilation into or out of welfare
- Interesting contrast to Sweden and important for policy conclusions

Policy Conclusions (1)

- Taking up the German case of the last slide
- There was evidence that immigrants used welfare more intensively than natives but that this disappeared once socio-economic characteristics were taken into account
- Riphahn draws the policy conclusion that immigration policy should focus on admitting high-skilled people only
- She puts the focus on immigration policy as opposed to welfare policy

Policy conclusion (2)

- Zimmermann et al (2011) had policy conclusions which were much more focussed on welfare policy and the picture below illustrates why:

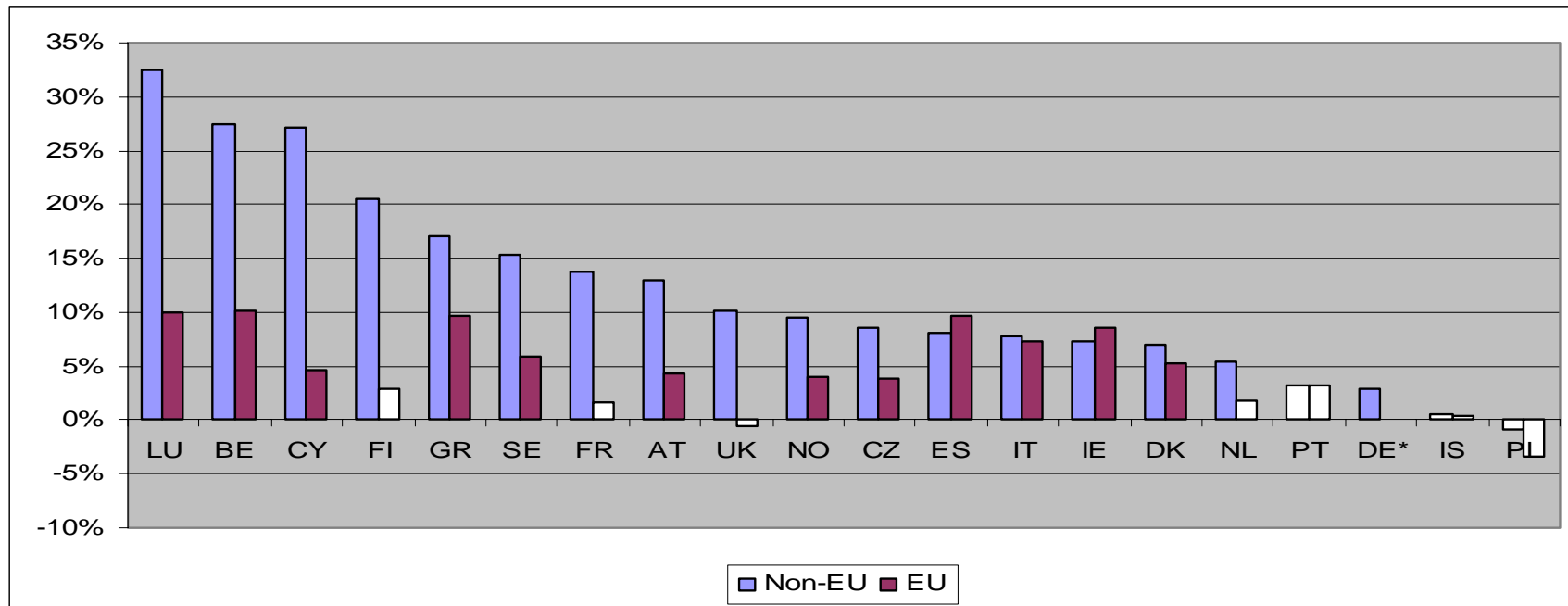


Figure shows marginal risks of being in poverty are generally higher for immigrants

Policy conclusions (3)

- The analysis in Zimmermann et al (2011) suggested that the major policy challenges in the immigration/welfare area are:
 - immigrant poverty and the failure of welfare systems to protect immigrants
- The question then becomes:
 - How can welfare systems work better for immigrants?